

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

FINANCE COMMITTEE MEETING

Minutes of Meeting held Tuesday, January 10, 2012 @2:30 p.m.

Present: Michael Lewis, Chairperson; Jerome Williams; and Margaret Holland McDuff.

Absent: Thomas Deller.

Also Present: Charles Odingbe; Maureen Neira; Lilly Picchione; and Ellen Mandly and other members of RIPTA's staff and members of the public whose names are on the sign-in sheet.

Agenda Item 1: Approval of Minutes of February 25, 2011 Meeting Minutes

Michael Lewis called the meeting to order at 2:35 and asked if the members had an opportunity to review the minutes of the February 25, 2011 Finance Committee meeting. The members indicated they had. Mr. Lewis expressed concern that some members of the Finance Committee are different from those serving in 2011 and weren't in attendance at that meeting. Ms. Mandly noted that current Finance Committee members Lewis, Williams and Deller, were in attendance at the February 28, 2011 Board of Directors meeting and

heard a report of the February 25, 2011 Finance meeting given by then Chair Edward Field. The minutes of the February 28, 2011 Board meeting are almost identical to the Finance Committee minutes being considered today. Ms. Mandly was present at the February Finance Committee meeting and attested that these minutes are a true and accurate reflection of that meeting.

After a brief discussion among the members, Chairman Lewis asked for a motion that the minutes of the February 25, 2011 meeting be approved as recorded by Ellen Mandly and based on her declaration regarding their accuracy. Margaret Holland McDuff moved that the minutes of the February 25th meeting be approved as stipulated by the Chair. Jerome Williams seconded the motion and the minutes were unanimously approved as recorded by Ms. Mandly.

Agenda Item 2: FY 2013 Preliminary Budget

Mr. Lewis began the conversation on the FY 2013 preliminary budget by saying that budget discussions will be preeminent for us and we need to clearly understand the variables so we can advise the full Board and the legislature. He then asked Ms. Neira to address the Committee.

Ms. Neira distributed an overview of FY 2011, 2012 and 2013 operating deficits. For each fiscal year there were bulleted explanation showing the issues that contributed to the budget deficit in each fiscal year such as the one-time use of ARRA funds,

arbitration awards, passenger revenue, change in federal funding, gas tax revenue fluctuations, debt service, ADA charges, maintenance cost changes, health care rate increases and contractual wage increases, etc. She elaborated on this handout in some detail and discussed various methods the new CEO implemented in an attempt to cover the budget shortfalls and lower the deficit.

Ms. Neira answered questions from the committee members relating to how she builds the budget, how she apportions the cash to pay the Authority's bills, how the loss of preventative maintenance funds affects the budget, and the fickleness of relying on the gas yield projections. Mr. Lewis offered to assist with getting better projections so staff can do a trend analysis and Messrs Lewis and Williams both expressed concern about the debt ratio and want to move the Authority away from relying on them. Ms. Holland McDuff asked for and received an explanation of contractual wage increases.

Mr. Lewis opined that part of the challenge is articulating as an agency what historically has driven our needs and in response Ms. Neira distributed two handouts detailing "where the revenue comes" from and "where the expenses go". She also distributed a chart depicting average annual fuel prices for the past 8 years and one illustrating the gas tax yield decline for the same period. She then gave a brief history of the Ritecare program and the loss of funding.

Mr. Lewis suggested that Ms. Neira do a bucket chart illustrating all of the foregoing and offered Bob Shawver's assistance with this task.

Ms. Picchione addressed the Committee next and briefly discussed federal funds. Ms. Picchione explained that the current Transportation law, SAFETEA-LU, has been extended via Continuing Resolution for the past two years at steady levels. The preliminary FY 2013 budget assumes that the contribution of federal funds will remain flat. She noted that the law expires again in March and that there is uncertainty about federal funds going forward. Ms. Picchione noted that in addition to federal formula funds, SAFETEA-LU provided RIPTA with \$42 Million in earmarks that went to the purchase of buses and the construction of 705 Elmwood. She pointed out that we now need to budget from for buses from formula funds, leaving less room for other investments. Mr. Odingbe commented that he is very nervous about the precariousness of federal funding which is 20% of RIPTA's operating revenues; a loss in these funds would be devastating. Ms. Holland McDuff asked for a copy of the capital budget.

Ms. Neira finished her remarks by discussing current fuel prices (\$3.46) and the yearly average to date (\$3.35) vis a vis the budgeted amount (\$3.50) and reported that she is working on a multiyear budget which she hopes to present at the next Finance Committee meeting.

The Committee discussed some of the initiatives implemented by the CEO last year to lower the deficit and the feasibility of reducing the budget even further, such as another across the board 1% cut. Mr. Williams suggested that we work to identify a long term revenue stream and then operate at 98% of that amount.

Michael Lewis thanked the Committee and staff and saying the discussion was informative. He asked that staff work towards getting better gas yield projections, and work to package the financial information depicting RIPTA's story in such a way that it is clear and useful for the Board, RIPTA riders, the Governor and the legislators. Ms. Holland McDuff offered to review staff's draft of this document/chart.

Michael Lewis asked Ms. Mandly to work with the members to coordinate a meeting date for next month.

Agenda Item 3: Old Business

No old business was discussed.

Agenda Item 4: Adjournment

There being no further business Mr. Williams made a motion to adjourn. Ms. Holland McDuff seconded the motion and the meeting was adjourned.

Respectfully submitted,

Ellen M. Mandly

Recording Secretary